

106TH CONGRESS  
1ST SESSION

# S. 1318

To authorize the Secretary of Housing and Urban Development to award grants to States to supplement State and local assistance for the preservation and promotion of affordable housing opportunities for low-income families.

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## IN THE SENATE OF THE UNITED STATES

JULY 1, 1999

Mr. JEFFORDS (for himself, Mr. KERRY, Mr. GRAMS, Mr. SARBANES, and Mr. WELLSTONE) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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## A BILL

To authorize the Secretary of Housing and Urban Development to award grants to States to supplement State and local assistance for the preservation and promotion of affordable housing opportunities for low-income families.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

### 3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Affordable Housing  
5 Preservation Act of 1999”.

### 6 **SEC. 2. FINDINGS AND PURPOSES.**

7 (a) FINDINGS.—Congress finds that—

1           (1) availability of low-income housing rental  
2           units has declined nationwide in the last several  
3           years;

4           (2) as rents for low-income housing increase  
5           and the development of new units of affordable  
6           housing decreases, there are fewer privately owned,  
7           federally assisted affordable housing units available  
8           to low-income individuals in need;

9           (3) the demand for affordable housing far ex-  
10          ceeds the supply of such housing, as evidenced by re-  
11          cent studies; and

12          (4) the efforts of nonprofit organizations have  
13          significantly preserved and expanded access to low-  
14          income housing.

15          (b) PURPOSES.—The purposes of this Act are—

16               (1) to continue the partnerships among the  
17               Federal Government, State and local governments,  
18               nonprofit organizations, and the private sector in op-  
19               erating and assisting housing that is affordable to  
20               low-income persons and families;

21               (2) to promote the preservation of affordable  
22               housing units by providing matching grants to  
23               States that have developed and funded programs for  
24               the preservation of privately owned housing that is  
25               affordable to low-income families and persons; and

1           (3) to minimize the involuntary displacement of  
2           tenants who are currently residing in such housing,  
3           many of whom are elderly or disabled persons and  
4           families with children.

5 **SEC. 3. DEFINITIONS.**

6           In this Act:

7           (1) CAPITAL EXPENDITURES.—The term “cap-  
8           ital expenditures” includes expenditures for acquisi-  
9           tion and rehabilitation.

10          (2) LOW-INCOME AFFORDABILITY RESTRIC-  
11          TIONS.—The term “low-income affordability restric-  
12          tions” means, with respect to a housing project, any  
13          limitations imposed by law, regulation, or regulatory  
14          agreement on rents for tenants of the project, rent  
15          contributions for tenants of the project, or income-  
16          eligibility for occupancy in the project.

17          (3) PROJECT-BASED ASSISTANCE.—The term  
18          “project-based assistance” has the meaning given  
19          such term in section 16(c) of the United States  
20          Housing Act of 1937 (42 U.S.C. 1437n(c)), except  
21          that such term includes assistance under any suc-  
22          cessor programs to the programs referred to in such  
23          section.

24          (4) SECRETARY.—The term “Secretary” means  
25          the Secretary of Housing and Urban Development.

1           (5) STATE.—The term “State” means each of  
2           the several States and the District of Columbia.

3   **SEC. 4. AUTHORITY.**

4           The Secretary shall, to the extent amounts are made  
5   available in advance under section 12, award grants under  
6   this Act to States for low-income housing preservation and  
7   promotion.

8   **SEC. 5. APPLICATIONS.**

9           The Secretary shall provide for States (through ap-  
10   propriate State agencies) to submit applications for grants  
11   under this Act. The Secretary shall require the applica-  
12   tions to contain any information and certifications nec-  
13   essary for the Secretary to determine who is eligible to  
14   receive such a grant.

15   **SEC. 6. USE OF GRANTS.**

16           (a) ELIGIBLE USES.—

17           (1) IN GENERAL.—Amounts from grants  
18           awarded under this Act may be used by States only  
19           for the purpose of providing assistance for acquisi-  
20           tion, rehabilitation, operating costs, and capital ex-  
21           penditures for a housing project that meets the re-  
22           quirements under subsection (b), (c), (d), or (e).

23           (2) FACTORS FOR CONSIDERATION.—In select-  
24           ing projects described in paragraph (1) for assist-

1       ance with amounts from a grant awarded under this  
2       Act, the State shall—

3               (A) take into consideration—

4                       (i) whether the assistance will be used  
5                       to transfer the project to a resident-en-  
6                       dorsed nonprofit organization;

7                       (ii) whether the owner of the project  
8                       has extended the low-income affordability  
9                       restrictions on the project for a period of  
10                      more than 15 years;

11                      (iii) the extent to which the project is  
12                      consistent with the comprehensive housing  
13                      affordability strategy approved in accord-  
14                      ance with section 105 of the Cranston-  
15                      Gonzalez National Affordable Housing Act  
16                      (42 U.S.C. 12705) for the jurisdiction in  
17                      which the project is located;

18                      (iv) the extent to which the project lo-  
19                      cation provides access to transportation,  
20                      jobs, shopping, and other similar conven-  
21                      iences;

22                      (v) the extent to which the project  
23                      meets fair housing goals;

24                      (vi) the extent to which the project  
25                      serves specific needs that are not otherwise

1 met by the local market, such as housing  
 2 for the elderly or disabled, or families with  
 3 children;

4 (vii) the extent of local government re-  
 5 sources provided to the project; and

6 (viii) such other factors as the Sec-  
 7 retary or the State may establish; and

8 (B) ensure that, to the maximum extent  
 9 practicable, projects in both urban and rural  
 10 areas in the State receive assistance.

11 (b) PROJECTS WITH HUD-INSURED MORTGAGES.—

12 A project meets the requirements under this subsection  
 13 only if—

14 (1) the project is financed by a loan or mort-  
 15 gage that is—

16 (A) insured or held by the Secretary under  
 17 section 221(d)(3) of the National Housing Act  
 18 (12 U.S.C. 1715l(d)(3)) and receiving loan  
 19 management assistance under section 8 of the  
 20 United States Housing Act of 1937 (42 U.S.C.  
 21 1437f) due to a conversion from section 101 of  
 22 the Housing and Urban Development Act of  
 23 1965 (12 U.S.C. 1701s);

24 (B) insured or held by the Secretary and  
 25 bears interest at a rate determined under the

1           proviso of section 221(d)(5) of the National  
2           Housing Act (12 U.S.C. 1715l(d)(5)); or

3           (C) insured, assisted, or held by the Sec-  
4           retary or a State or State agency under section  
5           236 of the National Housing Act (12 U.S.C.  
6           1715z-1);

7           (2) the project is subject to an unconditional  
8           waiver of, with respect to the mortgage referred to  
9           in paragraph (1)—

10           (A) all rights to any prepayment of the  
11           mortgage; and

12           (B) all rights to any voluntary termination  
13           of the mortgage insurance contract for the  
14           mortgage; and

15           (3) if the low-income affordability restrictions  
16           on the project are for less than 15 years, the owner  
17           of the project has entered into binding commitments  
18           (applicable to any subsequent owner) to extend those  
19           restrictions, including any such restrictions imposed  
20           because of any contract for project-based assistance  
21           for the project, for a period of not less than 15 years  
22           (beginning on the date on which assistance is made  
23           available for the project by the State under this sec-  
24           tion).

1       (c) PROJECTS WITH SECTION 8 PROJECT-BASED AS-  
 2       SISTANCE.—A project meets the requirements under this  
 3       subsection only if—

4               (1) the project is subject to a contract for  
 5       project-based assistance; and

6               (2) the owner of the project has entered into  
 7       binding commitments (applicable to any subsequent  
 8       owner)—

9                       (A) to continue to renew such contract (if  
 10       offered on the same terms and conditions) until  
 11       the later of—

12                      (i) the last day of the remaining term  
 13       of the mortgage; or

14                      (ii) the date that is 15 years after the  
 15       date on which assistance is made available  
 16       for the project by the State under this sec-  
 17       tion; and

18               (B) to extend any low-income affordability  
 19       restrictions applicable to the project in connec-  
 20       tion with such assistance.

21       (d) PROJECTS PURCHASED BY RESIDENTS.—A  
 22       project meets the requirements under this subsection only  
 23       if the project—

24               (1) is or was eligible low-income housing (as de-  
 25       fined in section 229 of the Low-Income Housing



1 Preservation and Resident Homeownership Act of  
 2 1990 (42 U.S.C. 4119)) or is or was a project as-  
 3 sisted under section 613(b) of the Cranston-Gon-  
 4 zalez National Affordable Housing Act (12 U.S.C.  
 5 4125(b));

6 (2) has been purchased by a resident council or  
 7 resident-approved nonprofit organization for the  
 8 housing or is approved by the Secretary for such  
 9 purchase, for conversion to homeownership housing  
 10 under a resident homeownership program meeting  
 11 the requirements under section 226 of such Act (12  
 12 U.S.C. 4116); and

13 (3) the owner of the project has entered into  
 14 binding commitments (applicable to any subsequent  
 15 owner) to extend such assistance for not less than  
 16 15 years (beginning on the date on which assistance  
 17 is made available for the project by the State under  
 18 this section) and to extend any low-income afford-  
 19 ability restrictions applicable to the project in con-  
 20 nection with such assistance.

21 (e) RURAL RENTAL ASSISTANCE PROJECTS.—A  
 22 project meets the requirements of this section only if—

23 (1) the project is a rural rental housing project  
 24 financed under section 515 of the Housing Act of  
 25 1949 (42 U.S.C. 1485); and

1           (2) the restriction on the use of the project (as  
2       required under section 502 of the Housing Act of  
3       1949 (42 U.S.C. 1472)) will expire not later than 12  
4       months after the date on which assistance is made  
5       available for the project by the State under this sec-  
6       tion.

7   **SEC. 7. AMOUNT OF STATE GRANTS.**

8       (a) IN GENERAL.—Subject to section 8, in each fiscal  
9       year, the Secretary shall award to each State approved  
10      for a grant under this Act a grant in an amount based  
11      upon the proportion of such State’s need for assistance  
12      under this Act (as determined by the Secretary in accord-  
13      ance with subsection (b)) to the aggregate need among  
14      all States approved for such assistance for such fiscal  
15      year.

16      (b) DETERMINATION OF NEED.—In determining the  
17      proportion of a State’s need under subsection (a), the Sec-  
18      retary shall consider—

19           (1) the number of units in projects in the State  
20      that are eligible for assistance under section 6 that,  
21      due to market conditions or other factors, are at risk  
22      for prepayment, opt-out, or otherwise at risk of  
23      being lost to the inventory of affordable housing;  
24      and

1           (2) the difficulty that residents of projects in  
2           the State that are eligible for assistance under sec-  
3           tion 6 would face in finding adequate, available, de-  
4           cent, comparable, and affordable housing in neigh-  
5           borhoods of comparable quality in the local market,  
6           if those projects were not assisted by the State  
7           under section 6.

8   **SEC. 8. MATCHING REQUIREMENT.**

9           (a) IN GENERAL.—The Secretary may not award a  
10          grant under this Act to a State for any fiscal year in an  
11          amount that exceeds twice the amount that the State cer-  
12          tifies, as the Secretary shall require, that the State will  
13          contribute for such fiscal year, or has contributed since  
14          January 1, 1999, from non-Federal sources for the pur-  
15          poses described in section 6(a).

16          (b) TREATMENT OF PREVIOUS CONTRIBUTIONS.—  
17          Any portion of amounts contributed after January 1,  
18          1999, that are counted for purposes of meeting the re-  
19          quirement under subsection (a) for a fiscal year may not  
20          be counted for such purposes for any subsequent fiscal  
21          year.

22          (c) TREATMENT OF TAX INCENTIVES.—Fifty percent  
23          of the funds used for the project that are allocable to tax  
24          credits allocated under section 42 of the Internal Revenue  
25          Code of 1986, revenue from mortgage revenue bonds

1 issued under section 143 of such Code, or proceeds from  
2 the sale of tax-exempt bonds by any State or local govern-  
3 ment entity shall be considered non-Federal sources for  
4 purposes of this section.

5 **SEC. 9. TREATMENT OF SUBSIDY LAYERING REQUIRE-**  
6 **MENTS.**

7 Neither section 8 nor any other provision of this Act  
8 may be construed to prevent the use of tax credits allo-  
9 cated under section 42 of the Internal Revenue Code of  
10 1986 in connection with housing assisted with amounts  
11 from a grant awarded under this Act, to the extent that  
12 such use is in accordance with section 102(d) of the De-  
13 partment of Housing and Urban Development Reform Act  
14 of 1989 (42 U.S.C. 3545(d)) and section 911 of the Hous-  
15 ing and Community Development Act of 1992 (42 U.S.C.  
16 3545 note).

17 **SEC. 10. REPORTS.**

18 (a) **REPORTS TO SECRETARY.**—Not later than 90  
19 days after the last day of each fiscal year, each State that  
20 receives a grant under this Act during that fiscal year  
21 shall submit to the Secretary a report on the housing  
22 projects assisted with amounts made available under the  
23 grant.

24 (b) **REPORTS TO CONGRESS.**—Based on the reports  
25 submitted under subsection (a), the Secretary shall annu-

1 ally submit to Congress a report on the grants awarded  
2 under this section during the preceding fiscal year and the  
3 housing projects assisted with amounts made available  
4 under those grants.

5 **SEC. 11. REGULATIONS.**

6 Not later than 12 months after the date of enactment  
7 of this Act, the Secretary shall issue regulations to carry  
8 out this Act.

9 **SEC. 12. AUTHORIZATION OF APPROPRIATIONS.**

10 There is authorized to be appropriated for grants  
11 under this Act such sums as may be necessary for each  
12 of fiscal years 2000 through 2004.

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